The Bridgespan Group

Created with support from

OMIDYAR NETWORK™

From Start-up to Scale

Conversations from the *Harvard Business Review*-Bridgespan Insight Center on Scaling Social Impact

Collaborating to accelerate social impact

May 2013

Table of Contents

Introduction 3

Scaling Social Impact: What to Do and How to Fund it 5

Should Your Business Be Nonprofit or For-Profit? 7

When You Should Seek Capital from an Impact Investor 10

Social Impact Investing Will Be the New Venture Capital 13

Venture Capital with a Twist: How to Pitch an Impact Investor 16

It's Not All About Growth for Social Enterprises 19

The Talent Needed for Social Impact 23

To Change the World, Fear Means Go 25

Entrepreneurs: You're More Important Than Your Business Plan 28

Build Your Bench Strength Without Breaking the Bank 31

Want to Change the World? Be Resilient 34

Lessons from a Failed Social Entrepreneur 37

Using Technology and Data for Social Impact 40

Can Technology End Poverty? 42

Deliver Big Impact on a Small Budget 45

Want to Help People? Just Give Them Money 48

A Data Scientist's Real Job: Storytelling 51

Let's Be Realistic About Measuring Impact 54

Introduction

Helping African farmers to improve their yields, providing affordable health care to families in South Asia, and giving the working poor around the globe access to capital that can change their business returns and fortunes. These are just a few of the accomplishments of social enterprise—entrepreneurial ventures purposed to help society.

It's a field on the rise, manifest in dramatic increases in recent years of relevant course content at leading MBA programs, and in the growing number of applicants—from hundreds to thousands—to longstanding social enterprise fellowships like Echoing Green. In parallel we've seen a rise in venture philanthropy since early pioneers, like Ashoka, launched the field more than 30 years ago, and count dozens of modern-day "impact investors" across continents investing capital in promising solutions while taking a long, patient view on returns.

A measure of success is our current inflection point, where industry is becoming a platform for change, recognizing where investments in society create value for all: employees, customers, suppliers, and shareholders. Unilever helped launch the Marine Stewardship Council—sustaining ocean fisheries that supply its frozen foods; Starbucks invests in coffee co-ops and fair trade; and telecommunications firms like Ericsson and Millicom are building out wireless spectrum in a promising market, Sub-Saharan Africa, where cell phones provide a vital link to bank transactions, weather forecasts, and market intelligence for farmers.

It's a critical time to ensure that the most important questions and best insights regarding social innovation are widely shared with all in the movement. To that end, The Bridgespan Group joined forces with *Harvard Business Review* (HBR) in January 2013, supported by impact investor Omidyar Network, to launch a three-month series on HBR.org around scaling social impact. The resulting HBR-Bridgespan Insight Center curated blogs from practitioners and researchers, both upcoming and veteran, around a different theme each month.

- Month 1: What to do and how to fund it
- Month 2: The talent required to create change
- Month 3: Using technology and data to scale what works

We benefited in the curation and sharing of Insight Center content from a team of advisors and network nodes.[1] From them we garnered the notion of a "best of" collection of 15 blogs most relevant to newcomers to the field. What follows is the result, handpicked by those involved with equipping them. We hope it will serve

to spark valuable discussions in training fellows, coaching grantees, or prepping a team of employees to serve the common good.

Katie Smith Milway
Partner, The Bridgespan Group
Co-Leader, The HBR-Bridgespan Insight Center on Scaling Social Impact

1 We'd like to thank the following advisors who helped curate views for the HBR-Bridgespan Insight Center and network allies who helped disseminate them.

Advisor Group
Peter Bakker, World Business Council for Sustainable Development; Paul Carttar, White House Social Innovation Fund (emeritus); Michael Chu, Harvard Business School; Cathy Clark, Duke University/Social Impact Exchange; Susan Davis, BRAC USA; Greg Dees, Duke's Fuqua School of Business; Cheryl Dorsey, Echoing Green; Katherine Fulton, Monitor Institute; Paula Goldman, Omidyar Network; Vanessa Kirsch, New Profit; Stan Litow, IBM International Foundation; Nancy Lublin, DoSomething.org; Lenny Mendonca, McKinsey & Company; Iqbal Quadir, MIT Legatum Center for Development and Entrepreneurship; Paula Recart, Ashoka; Linda Rottenberg, Endeavor Global; Filipe Santos, INSEAD – European Institute of Business Administration; Brian Trelstad, Bridges Ventures

Network Nodes
Melissa Artabane, Bain & Company; Phil Buchanan, Center for Effective Philanthropy; Anne Marie Burgoyne, Draper Richards Kaplan Foundation; Alexandra Cavoulacos, Global21/Daily Muse; Sasha Dichter, Acumen Fund; Christine Driscoll Goulay, INSEAD Social Enterprise Initiative; Kevin Jones, SOCAP; Rahim Kanani, Skoll Foundation; Tom Keilly, Independent Sustainability Consultant; Cheryl Kiser, Babson College; Amma Serwaa Lartey, Reach for Good; Rich Leimsider, Echoing Green; Christopher Lindquist, The Bridgespan Group; Cynthia Massarsky, Growth Philanthropy Network; John McKinley, Acumen Fund; Laura Moon, Harvard Business School; Rhett Morris, Endeavor Global; Rosita Najmi, Omidyar Network; Alex Rossides, Growth Philanthropy Network; Juliana Rotich, Ushahidi; Kim Syman, New Profit; Trish Tchume, Young Nonprofit Professionals Network; Kimberly Dasher Tripp, Skoll Foundation

Scaling Social Impact

What to Do and How to Fund It

"A new wave of entrepreneurs have created innovations that address pressing human needs: a hand-powered solar lamp that reduces a family's dependence on dangerously flammable oil for adequate light; a network of neighborhood-based grocery stores that sell fresh produce; a low-cost infant warmer for vulnerable babies in developing countries. But so many of these ideas benefit small groups of people in specific locations. And poverty, malnutrition, and infant mortality persist.

So how can we achieve social impact at a larger scale? How can these new technologies, solutions, products, and ideas reach not just one community, or even one region, but everyone who needs them?"

Amy Gallo, Editor, HBR-Bridgespan Insight Center

Arguably, the first critical link to scale is what to do and how to fund it.

In this section of the compendium, you'll find five conversation starters around how a social entrepreneur can create the most powerful strategies for advancing their mission in a sustainable way. Selected authors addressed the following questions:

- Should your business be nonprofit or for profit?
- How should you consider funding your business?
- What is impact investing and when should you seek capital from an impact investor?
- How should you pitch your venture and what do impact investors really care about?
- How should you think about growth versus impact?

For related blogs, please visit:
http://hbr.org/special-collections/insight/scaling-social-impact/what-to-do-and-how-to-fund-it/

Should Your Business Be Nonprofit or For-Profit?

by Jane Chen

Social entrepreneurs often grapple with the decision of whether to establish their organizations as nonprofit or for-profit in order to reach their goals. But what if you don't know which model to use, or which would best suit your mission? I've stood at this crossroads myself, and share my own experience here in the hopes that it will help inform other social entrepreneurs facing the same decision.

When I was a graduate student at Stanford University in 2007, a team of students and I first conceptualized the Embrace Infant Warmer—a low-cost way to regulate the temperature of vulnerable newborns, without the need for constant electricity, and at a fraction of the cost of existing solutions. We were eager to take this product to the disadvantaged communities who desperately needed it. We needed to build an organization by which we could carry out this vision, and inevitably, the question arose: Should we be a for-profit or a nonprofit entity?

We debated at length the merits of each type of structure, and came to the conclusion that the fundamental difference between a for-profit and a nonprofit organization is where it can source capital. A for-profit can raise money from private investors, for which it must give equity or dividends to shareholders; ultimately, a return on investment is expected. A nonprofit, on the other hand, can seek donations from individuals, foundations, and corporations. Such stakeholders generally expect a "social return" on capital.

Given the inherent risk associated with what we were attempting to do (an untested management team bringing to market an unprecedented medical device) and the uncertainty of the commercial viability of the product, and given the type of customers we wanted to serve, we decided the best option was to go down the nonprofit route and create a 501(c)(3). However, even as a nonprofit, we believed in running the organization as a business; we would sell the product at a margin, and any "profits" would be reinvested back into the company to fulfil our longer term goal: to create a line of affordable medical devices that could save the lives of millions of at-risk babies.

I believe that to be an entrepreneur one must be truly idealistic—almost naïve—and even more so to be a social entrepreneur. We started Embrace with a bold vision, ready to change the world in our own way. Little did we know the time and capital it would require for us to get from a concept to a manufactured and clinically tested product—not to mention what it would take to build a

distribution channel to sell our product. Nor did we realize the amount of management time it would require for us to raise this capital as a nonprofit organization; precious time that would be taken away from building the product and the infrastructure needed to deliver the product, and to make impact at the scale we had envisioned.

In order to raise the capital that was needed to achieve our mission to save as many babies as possible, we decided to spin off a for-profit arm of the company. We would run two separate organizations: the nonprofit arm, Embrace, would own the intellectual property for the technology, take philanthropic contributions to donate the product to the poorest communities through NGO partners, and build an ecosystem around which we could help promote newborn health, through things beyond the technology, like education.

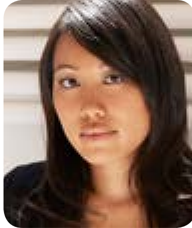
The for-profit arm, Embrace Innovations, would raise money from venture capitalists—though our first screening criteria would be investors who were aligned with our social mission. It would license the technology by paying a royalty for every product sold. The for-profit arm would be responsible for the capital-intensive aspects of the work, including manufacturing, clinical testing and R&D. And, importantly, it would set up the sales and distribution infrastructure to sell the product to those who could afford to pay for it, while still focusing on bottom of the pyramid markets.

Our hope is that these two organizations, together, will most effectively meet the goals of Embrace: in the short run, to give every child a chance for a healthy life with our infant warmer, and in the long run, to empower the disadvantaged to improve their lives through a line of affordable healthcare technologies. Having both a for-profit and a nonprofit organization working side by side allows us to leverage private capital, in addition to philanthropy, to ultimately serve all segments of the market with our product.

Furthermore, this allows the for-profit entity to develop and focus its competencies to sell and distribute products, as well as to conduct research and development. At the same time, the nonprofit is able to focus on broader issues around newborn health, through training, education, and monitoring and evaluation. Early last year, we were able to close a Series A round of financing from Khosla Impact Fund and Capricorn Investment Group, giving us a launchpad by which to try this new structure. Thus far, through this approach, Embrace and Embrace Innovations have helped over 3,000 babies with our product. While our primary focus is in India, Embrace is doing pilot projects with NGO partners in 10 countries, and we hope to further scale this year.

Making social impact requires innovative thinking, not just in terms of developing a new product or service, but also in terms of organizational structures and mechanisms for raising capital. The challenges that social entrepreneurs are trying to solve are some of the most formidable problems in the world, in areas with significant market failures, poor governance, and a complete lack of infrastructure. Effectively tackling problems in this environment may require leveraging both

capital and expertise from grant makers and private investors alike. Ultimately, social enterprises should not be confined to a single type of legal structure. The most important part of choosing the right structure is starting with your mission, and then adopting a structure that allows you to best achieve it.



Jane Chen is the CEO and co-founder of Embrace Innovations, a social enterprise that develops disruptive healthcare technologies that empower the disadvantaged, starting with a low-cost infant warmer.

Select Reader Comments

"I... think it's important to emphasize that Embrace initially picked one single structure, and the current hybrid elements have been introduced years later. As a Founder and Social Entrepreneur I would advise against starting both a nonprofit and for-profit at the same time, as it may add significant overhead and complexity in the early days."

–Peter Frykman

"The Benefit Corporation and the L3C movement are both efforts to encode values into legal structure... but it takes courageous leadership to make sure the values live in the organization."

–Kathryn Alexander

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/cs/2013/02/should_your_business_be_nonpro.html

When You Should Seek Capital from an Impact Investor

by J. Gregory Dees and Cathy Clark

If you're running a social venture, you're probably familiar with the challenge of raising capital for growth. And despite the Global Impact Investing Network's recent report that over $8 billion was invested by impact investors in 2012, it is still common to hear a lot of complaints from both sides: Investors bemoan the lack of quality deal flow and social entrepreneurs say it's difficult to find interested investors.

Honestly, we've heard this for a very long time. Greg has worked with some of the world's most accomplished social entrepreneurs for over 30 years; Cathy is a former impact investor who has also worked extensively with pioneering impact angel groups like Investors' Circle and Toniic. We came together over a Skoll Foundation-funded project a few years ago to explore business models for social entrepreneurs. And the number one question that came up in our surveys and interviews with several hundred successful global social entrepreneurs was: *Should I seek capital from an impact investor?*

The answer is almost always "No." Despite our belief in the power of impact investing and the need for capital to scale, most social entrepreneurs should not seek this type of capital unless four fundamental conditions are met:

1. Your business model is stable.

How well can you demonstrate your ability to generate sufficient financial returns for a potential investor? Cash flow needs to be stable and regular; you must have a track record of recurring or growing revenue that is documented for any impact investor to look seriously. Many angel investment groups will not even consider you if you are pre-revenue. Lenders need to see your ability to pay back cash starting today. According to our research, social entrepreneurs seem to evolve their business models over five to 15 years, and income stability may take longer.

2. You have a convincing plan toward profitability.

Are you profitable? Is your potential market big enough? If not, can you make a case for future profitability based on similar business models used by others in different sectors or geographies? One of the reasons that alternative energy and mobile telephony businesses have taken off in developing markets is they are both system workarounds, driving on demographic trends and able to be plunked down in new places with little required of local infrastructure. Even then,

an investor may be hesitant unless the entrepreneurial team has a strong track record of success with other ventures.

3. You don't need your cash more than an investor does.

Do you know how you will pay your investor back? Impact investors want a return and usually have a time horizon over which they need to get it. Will you have the free cash flow—cash over and above what is needed to keep your venture thriving—to provide this return? Debt will require interest and principal repayments. Equity investors may not need immediate cash, but they need a pay day. For most social ventures, the option of an initial public offering in which outside investors save the day by repaying previous equity investors is highly unlikely, and social entrepreneurs often resist the idea of their ventures being bought out by someone else.

This leaves some form of stock repurchase by your company. Where will the cash come from? By then, perhaps five or 10 years after the equity investment, the pot of money your investors are expecting could be quite large. In entrepreneurship circles, they often say "cash is king." Understand the cash demands of an investment and make sure you can handle them. Don't be lured by the idea that you can figure out how to repay the investment later.

All forms of impact investment will limit your flexibility to direct your company's cash flows in the future and you need to consider if you need this cash for mission or for other reasons now, before you take the investment.

4. You, your investor, and the terms of the deal are mission-aligned.

Impact investors are definitely not one-size-fits-all. Once you've found a potential match by stage, industry, impact area, and geography, you also need to consider the implications of the investment on the mission and impact of your business, and be sure you and your investor are on the same path. Root Capital, a lender to small-scale farmers in the developing world, discussed a potentially large market-rate loan from a major bank a few years ago. According to a recent Columbia Business School case study, Root Capital struggled with the implications of this kind of deal on the overall mission of the business, and what the pressure to pay it back would have on whom they would lend to, what interest rates they could give and what support services they'd be able to provide—all critical pillars of Root Capital's work.

Social entrepreneurs need to remember that impact investors want to see stability and high potential and should not be depended on for the experimentation and risk-taking that gets you to that point. That, according to Acumen and Monitor, is what "enterprise philanthropy" is for. In their recent report "From Blueprint to Scale," they argue that the early validation of new and untested business models is best supported by philanthropy, with return-seeking investors coming into the process once the model is validated.

Impact investing is not the panacea for everyone but is an incredible tool for the select group of businesses and organizations who are in the right place at the right time to start to return capital in the way that investors need it.

J. Gregory Dees is a professor at Duke University's Fuqua School of Business and co-founder of the school's Center for the Advancement of Social Entrepreneurship. Cathy Clark is a professor at Fuqua and director of Duke's CASE i3: Initiative on Impact Investing. You can follow her on Twitter at @cathyhc.

Select Reader Comments

"I'm left with several questions about the [impact investing] movement... Do we dichotomize financial versus societal return too easily in the US? How do we clarify and define impact investing, enterprise philanthropy, patient capital, and the like to create a more coherent universe where different players with different goals can co-exist?"

–Tim

"Part of the evolution that is needed is to realize you can't fit square impact investors into the round hole of what entrepreneurs think their criteria should be. Most impact investing funds are not structured to take on 'get the model right' risk. Period."

–Cathy Clark (response to comment)

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/cs/2013/01/when_you_should_seek_capital_f.html

Social Impact Investing Will Be the New Venture Capital

by Sir Ronald Cohen and William A. Sahlman

During the past century, governments and charitable organizations have mounted massive efforts to address social problems such as poverty, lack of education, and disease. Governments around the world are straining to fund their commitments to solve these problems and are limited by old ways of doing things. Social entrepreneurs are stultified by traditional forms of financing. Donations and grants don't allow them to innovate and grow. They have virtually no access to capital markets and little flexibility to experiment at various stages of growth. **The biggest obstacle to scale for the social sector is this lack of effective funding models.**

But the problem is not money, per se. Take a look at the social sector in the US. There are $700 billion of foundation assets, and 10 million people working for nonprofits. These are huge numbers. Yet there are massive inefficiencies in capital allocation. Too often donors starve organizations and entrepreneurs by refusing to cover overhead. This makes it impossible for social organizations to scale. Interviews conducted in 2000 by the Social Investment Task Force in the United Kingdom revealed what most nonprofit leaders already know: Almost all social sector organizations are small and perennially underfunded, with barely three months' worth of working capital at their disposal. And that hasn't changed in the last 12 years.

Compare that to the world of venture capital. If a business entrepreneur came to us with a plan for growing a new business without spending a penny on overhead, we would show him or her the door. Why should it be any different for a social entrepreneur?

We believe we are on the threshold of a major change not unlike the early days of the modern venture capital industry. In the mid-1960s and early 1970s, a new type of investment vehicle was created: the professionally managed venture capital partnership. This organizational innovation drew investment capital from institutional players like pension funds and endowments and allowed for appropriate time horizons. Soon venture capital became a core part of many economies and those bold moves changed everything. Entrepreneurship has never been the same.

Just as the formation of the venture capital industry ushered a new approach and mindset toward funding innovation within the private sector, impact investment has started to bring opportunities to harness entrepreneurship and capital markets to drive social improvement. This in time will bring much needed change to the social sector.

We're already beginning to see innovation. People are developing new securities that link social performance to financial returns. There are new experiments—models that use the tools of finance to try things in different ways—sometimes creating income streams from novel concepts, like funding cancer research. There are also hybrid organizations like the Acumen Fund, Bridges Ventures, and Root Capital that channel patient capital to high social return investments around the world. There are even organizations like Endeavor and Social Finance that help entrepreneurs gain access to global capital markets to fuel growth in employment and social impact.

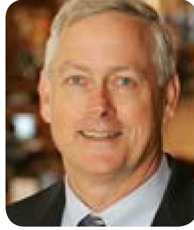
Within the last two years, government agencies in the UK, US, Australia, Canada, and Israel at the national, state, or even county levels have begun exploring the potential of social impact bonds. These are financial instruments that pay an investor if the cost or incidence of something (foster care or prisoner recidivism) is reduced, with comparable or better results, than a government program. If so, the investor makes money; if not, they lose money.

As more and more examples emerge from all regions of the world—addressing issues as diverse as recidivism, drug discovery, sleeping sickness, literacy, food deprivation, and poverty—one begins to get the sense that there's no stopping this idea whose time has come.

Things will change rapidly over the next five to 10 years. If investors can find the same courage the early institutional backers of the venture capital industry found, we will see talented social entrepreneurs build large, effective organizations that move the needle on a social issue and deliver acceptable financial returns at the same time.

To get there we need success stories—like the early investments venture capitalists made in companies like DEC, Intel, Scientific Data Systems, Teledyne, Genentech, Apple, and Tandem—that build confidence and unlock private capital. When investors believe they can earn acceptable returns, money will flow. And smart people will feel they can succeed because they can attract capital.

We live in a world awash with capital—some $200 trillion in financial assets according to McKinsey & Company. We also live in a world of remarkably low interest rates. If we can create instruments—like social impact bonds—that can deliver a financial return of about 7 percent, a high social return and limited downside risk, then we can meet two needs. We can provide reasonable returns that are uncorrelated with equity markets and attract capital to entrepreneurs who can develop innovative and effective ways of improving the fabric of our society.



Sir Ronald Cohen is chairman of Big Society Capital and The Portland Trust. He co-founded Bridges Ventures and Social Finance UK, and is director of Social Finance USA. In 2012 he received the Rockefeller Innovation Award for innovation in social finance. William A. Sahlman is a professor at Harvard Business School where he focuses on entrepreneurial finance, the process by which both social enterprises or for-profit companies gain access to necessary resources to pursue opportunities.

Select Reader Comments

"[N]onprofits struggle with creating sustainable organizations, while for-profit social enterprises struggle with raising capital for their sustainable business models capable of organic growth. There is a dire need to evolve these two disparate organizational models into a superior paradigm."

–Cathy Tao

"There are a lot of things to be worked out. ... 1. It's really hard to get many nonprofits to think about maximizing top-line revenue growth. 2. There are too many nonprofits trying to do the same thing. There needs to be some way to be sure the best scale and prosper."

–Peter DeLisi

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/cs/2013/01/social_impact_investing_will_b.html

Venture Capital with a Twist: How to Pitch an Impact Investor

by Todor Tashev and Paula Goldman

This post is from Omidyar Network, the sponsor of the Scaling Social Impact Insight Center.

As a venture capital firm, Omidyar Network has evaluated thousands of deals and invested over $260 million dollars in for-profit companies. In many ways, our office environment resembles that of our Silicon Valley peers. Our conference rooms are full of start-up teams pitching us on the next world-changing product or service; our hallway conversations are about the latest developments in tech. But you don't need to look hard to notice our social mission. Our walls and desks are decorated with photos of those serving disadvantaged communities. The quote on the wall across from our main elevator reads: "Every individual has the power to make a difference."

We're often asked: how different is it to pitch to an impact investor than to a traditional venture capital firm? In fact, it's not that dissimilar. Most of our criteria are the same as that of our Silicon Valley colleagues. The main distinction is that impact investors prioritize social results and often are willing to take more risk and invest in nontraditional sectors in service of this goal. But don't assume this means we are willing to reduce our analytic rigor. Impact investors look for compelling pitches that convince us not only that an entrepreneur can create a thriving business but also that he or she can transform million of lives. Here's what many of us look for and how it can inform your next pitch.

The Criteria

All venture capitalists look for a few important qualities in the start-ups we fund to help us determine their likelihood of success. Here are the criteria we use, in a condensed version, which are also common to the VC industry:

1. Potential for massive scale
We look for ideas with potential for massive scale. This means we only invest in businesses with very large potential addressable markets—and usually pass on deals where entrepreneurs are interested in serving a singular modest-sized geography or a small market segment.

2. Strength of team
People are key. We need to believe in not only the demonstrated track record of the team, but its dedication, resilience, and willingness to stick with the vision through any necessary pivots. No matter how compelling the initial idea, if we don't see these qualities in the entrepreneur and her founding team, we will not invest.

3. Clear customer value proposition
We look for entrepreneurs who are solving real problems. Like all VCs, we invest in those who deeply understand their target market and design with customer needs in mind. This may sound obvious, but in fact it's quite easy to forget the customer in one's passion for developing the latest gadget or feature.

The Differences

Of course, as impact investors, we are also willing to back opportunities that traditional VCs would not. Here are a few ways in which we evaluate a pitch differently:

1. Clear, positive social impact
Even if a company appears attractive from a purely financial perspective, we will not invest if it doesn't have the potential to positively benefit millions of lives. We often see business models that we think may be highly profitable but lack a strong impact component. In these cases, we pass on the deal and refer the entrepreneur to other VC colleagues. While impact investors have different approaches for measuring impact—number of lives touched, jobs created, metric tons of carbon emission saved—all impact investors want to see evidence of clear, positive social impact.

2. Sector focus
Omidyar Network is a strategy-driven impact investor. We focus on a few key sectors where we think we can have outsized impact. In our case, this includes mobile payments in the developing world, education for the poor, and financial inclusion for the billions of people without access to formal financial services. Given our knowledge and networks in each of these areas, we are often willing to take on significantly more risk than a traditional VC.

For example, Bridge International Academies delivers high quality, affordable private education to children living in slums in Kenya. When we considered investing in Bridge we knew there were multiple risks: political instability, significant market risk, and an untested business model, to name a few. But our knowledge about the market made us confident that the organization could handle these risks and we believed the model could spark a new sector of schools that could transform the lives of millions of poor children. Bridge is now the largest private school chain in Africa.

Because of our commitment to developing nontraditional sectors, we not only invest in the entrepreneurs; we also work to make their operating environment less difficult. In this vein, Omidyar Network often works with industry groups and policy makers to improve the policy environment and infrastructure for specific sectors in which we invest.

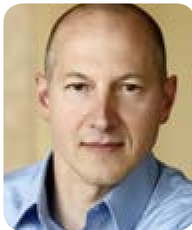
3. Exits
Because of their fund structure, most VCs expect to exit an investment within seven to eight years. By contrast, Omidyar Network operates as an evergreen fund, which allows us to focus on building a business for the long term. This is important because many of our investments are in less mature markets where business models need more time to develop. While we still expect to hear compelling exit strategies during pitches, we are more likely to be open to creative thinking, especially in situations where our investment can help generate a new industry sector with strong profitability and massive impact.

The Bottom Line

Venture investors like to say that they are looking to invest in amazing entrepreneurs whose companies can change the world. For us this is not a figure of speech.

Impact investors want to know everything that traditional venture capitalists want to know when evaluating an investment opportunity. They want to be convinced that you are building a strong, profitable, and highly competitive business. But they also want to know how your venture will have a direct, positive social impact that will reach millions of lives as your business grows. If you are able to make a credible case for both, you have the makings of a strong pitch.

We thank Rosita Najmi, Matt Bannick, and Chris Bishko for their thought partnership on this piece.



Todor Tashev is an investment partner at Omidyar Network responsible for the firm's US efforts in Consumer Internet & Mobile, Education, and Financial Inclusion. Paula Goldman is a director at the firm. She leads its efforts to develop the impact investing industry.

To join the conversation, please visit:
http://hbr.org/special-collections/insight/scaling-social-impact/venture-capital-with-a-twist-how-to-pitch-an-impact-investor/

It's Not All About Growth for Social Enterprises

by Kimberly Dasher Tripp

If you ask venture capitalists in Silicon Valley how they measure the success of business entrepreneurs, they would no doubt list off metrics having to do with fast growth: funding raised, people hired, customers acquired, revenue produced. The assumption is that company growth is good. But when it comes to social ventures, where the primary focus is impact (not profits), bigger isn't necessarily better.

When organizations talk to my colleagues and me at the Skoll Foundation about growth in staff size, budget size, or client/beneficiary numbers, we often ask "So what?" In our view, those types of growth don't necessarily translate to real and significant impact. Sure, size can often be correlated to maturity, but we want to know that the service, curriculum, or product the organization is offering has a significant impact on the problem it aims to solve. For us the question is not how do you grow organizations but how do you scale impact?

It All Begins with Evidence

To understand what to scale, you have to know what's working. Let's take the example of mother-to-child transmission of HIV. According to UNAIDS, about 330,000 new infants are infected with HIV every year, even though it's scientifically possible to prevent mother-to-child transmission. Thirty-five percent of these infections occur in South Africa and Nigeria alone. To address this, Cape Town-based NGO mothers2mothers employs and trains HIV-positive mothers as "Mentor Mothers" who work alongside nurses and doctors in clinics, providing psychosocial support to pregnant women and new mothers living with HIV. The organization's ultimate aim is to eliminate mother-to-child transmission of HIV.

One way to tell the story of mothers2mothers' growth is as follows: Since 2001, the organization has expanded its operations to nine countries with an approximately $20-million operating budget. It runs more than 600 sites that employ about 1,500 Mentor Mothers who work with almost 250,000 HIV-positive clients. These numbers are impressive and could easily entice a funder to support mothers2mothers. But, so what?

The first question should be: does the presence of a paid Mentor Mother in a clinical setting prevent mother-to-child transmission? If the answer is no (or we're not sure), then the organization's impressive size is a moot point. In this case, a rigorous evaluation completed in 2011 combined with previous studies proved that when a Mentor Mother is present, HIV-positive women increase their

uptake of antiretrovirals and are more likely to disclose their status, deliver their baby in a clinic, and ensure their children receive prophylaxis after delivery—all factors that lead to prevention of mother-to-child-transmission of HIV. In fact, where Mentor Mothers are present, transmission rates are on average 9 percent, compared to the UNAIDS 2010 estimate of 27 percent. Conclusion? This innovation has impact.

So what should mothers2mothers' leaders do? Should they continue to grow their successful organization, expanding the program to more sites and more countries? Maybe. But a real answer requires shifting the conversation from how to grow the organization to how best to increase its impact.

Multiply Impact, Don't Just Grow the Organization

When an organization has evidence that its innovation and model produce substantial social impact, its leaders face a dilemma: do we grow our organization continuing to provide our service directly or do we expand our impact by helping other organizations adopt the model? An organization that can scale *without* directly doing the work or incurring the costs will ultimately have far bigger impact than one trying to do it by growing big.

Many in the nonprofit world call this technical assistance or training, while for-profit entrepreneurs might see it as business development, partnerships, or even affiliate marketing. I'm not sure either frame is right. "Cultivating the ecosystem" might be a better term, by which I mean:

- Identifying gaps preventing a successful innovation from reaching scale;
- Gathering and publicizing evidence that matters to key decision makers from all sectors and could help fill these gaps; and
- Helping decision makers and their organizations co-implement the proven innovations.

Some organizations have already adopted this approach. For example, mothers2mothers now directly operates some sites as centers of excellence while also assisting ministries of health in launching, implementing, and monitoring their own national mentor mother programs. Root Capital, a nonprofit that makes loans to small agricultural producers, is not simply lending directly to rural businesses; it is also actively working to build a model of measurable, replicable agricultural lending that other financial institutions can adopt. The organization recognizes that its impact could be greater than the size of its loan portfolio or its direct footprint; it could build a new lending market.

The Drawbacks: A Complex Incentive Structure and the Quality Question

Of course there are limits to this ecosystem-building approach: primarily, getting funders on board and maintaining quality. Funders have traditionally been interested in how their money is attributable to a specific impact (e.g., my

money built X number of schools). But here funders would need to accept shared contribution rather than direct attribution (e.g., my money helped prove that there is a more cost-effective way to deliver quality education and a government was able to implement that model in many more areas). Additionally, cultivating the ecosystem requires different skill sets, namely business and product development, marketing, evaluation, advocacy, and training. Often, funders hesitate to invest in these types of functions because they appear to be less directly connected to impact. Yet, if scaling impact is the goal, these skills are essential. Second, assuring continued quality while scaling an innovation through other entities can be difficult. The organization must build a model that is intuitive, easy to recreate in other environments, and easy to measure using a standard approach; otherwise the original impact will be hard to reproduce.

Successful examples of this approach are still rare; most people point to microfinance. Yet, there are early indicators that progress toward this approach is being made. Over the last few years we have seen innovations such as mercury-free hospitals written into national and international frameworks; the growth of nascent markets such as sustainable seafood; formerly entrenched systems incorporating new models such as women's land rights; and massive behavior shifts such as abandonment of female genital cutting.

To continue this success, we need two things. One, we need funders who are willing to invest in core functions and place the success of the ecosystem above that of the organization. And, two, we need entrepreneurs who can prove that their goal is much more than size by transferring control to local ownership, partnering with would-be competitors, and measuring broader adoption of the model, not just their implementation of it. More players should be asking "So what?" to prove the goal is much more than size: it's about impact.

Have you seen "cultivating the ecosystem" work? In what settings? For-profit? Nonprofit? What are the challenges?

Kimberly Dasher Tripp is a principal of the Portfolio Team at the Skoll Foundation where she develops and structures funding opportunities to drive large-scale social change.

Select Reader Comments

"A for-profit social venture can also focus on growth first, and then perfect its impact model once it has a large user-base and the cash on hand to test different ideas more widely."

–Allen Kramer

"I think that regardless of structure, ultimate large-scale impact relies on a cultivated ecosystem. Take microfinance: if Grameen 'owned' the space so that we all looked at scale through the lens of that one MFI, we'd miss the larger impact that Grameen enabled—the proliferation of credit-enabling services, mostly by MFIs that are not Grameen."

–Kimberly Dasher Tripp (response to comment)

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/cs/2013/01/its_not_all_about_growth_for_s.html

The Talent Needed for Social Impact

"Attracting, managing, and retaining the best talent is rarely straightforward in any business. It takes time to find people with the right mix of skills, experience, and values. And they need to fit into your organization. This is especially important in small businesses where every employee greatly influences the company's success.

In organizations trying to have a social impact, finding, hiring, and developing the right talent can be particularly complicated. You need to find people who are as passionate about your social mission as you are. You often need to manage a mix of volunteers and paid staff. And you need to bring in and develop leaders with the right balance of business acumen and knowledge about the problem you're trying to solve."

Amy Gallo, Editor, HBR-Bridgespan Insight Center

The next selection of blogs highlight why talent is essential to scale entrepreneurial solutions focused on benefiting society and how to acquire and manage appropriate talent. Authors explore questions such as:

- How can leaders harness their fear as a compass?
- What's more important: you or your business plan?
- How to build bench strength on a tight budget?
- What is the value of personal resilience and how to cultivate it?
- What's so great about failure?

Throughout this set of blogs, we'll continue to draw on voices from the nonprofit community, academia, and the growing field of social enterprise.

For related blogs, please visit:
http://hbr.org/special-collections/insight/scaling-social-impact/the-talent-it-takes/

To Change the World, Fear Means Go

by Lara Galinsky

It's exactly the advice your mother *didn't* give you, unless your mom was a rule-breaker like my mine. *Fear means go*. This was one of my mom's favorite principles. She said it when I was petrified to go to school for the first time; she said it when I was going to be on live television and was nervous I had nothing valuable to say. She believed fear was a compass—an indicator of the direction you should go in if you want to become the person you have the potential to be.

I always liked the sound of the phrase—I considered myself a bold adolescent after all—but it wasn't until I was an adult that I fully understood it.

Long before I came to work at Echoing Green, I was invited to be a judge for the fellowship committee, which selects individuals from among the world's most promising social entrepreneurs. When I arrived, I found myself among some intimidatingly accomplished people—a PhD chemist/engineer/professor, a laureate-quality poet, and activists behind some of the most successful social movements of our time. I made my way uncomfortably to my seat, aware that I was one of the youngest and least experienced judges in the room.

Over the next two days, we spoke with dozens of potential fellows—young social entrepreneurs putting their lives at risk to protect the human rights of the most vulnerable people, jumpstarting new philanthropy movements, and developing innovative solutions to chip away at the gap between the haves and have nots. The story of one finalist particularly moved me. His name was Terrence Stevens. He was a paraplegic man with spinal muscular atrophy who grew up in a housing project in Harlem.

Terrence told our panel of judges how he'd been arrested when police pulled a friend and him over and found cocaine inside his friend's luggage. He was sentenced to 15 years to life in prison under the Rockefeller Law, which doled harsh sentences to first-time offenders.

Terrence faced incredible adversity in a broken prison system. Confined to a wheelchair, he relied on fellow inmates to bathe him, dress him, and even put him on and off the toilet. Prison guards punished him when he was unable to perform certain physical tasks, like taking his pants off during a strip search procedure after a family visit. The prison system didn't have anywhere near adequate health care for those with disabilities, which caused him to suffer a collapsed chest wall. He survived because he, his mom, and fellow prison activists advocated for his

needs. And after 10 grueling years, he was pardoned by Governor Pataki and released in 2001.

Terrence could have left prison bitter and angry. He might have done his best to forget his experience altogether and focus on starting a new life. Instead, he went back to the prison system, this time to help others. He established an organization called In Arms Reach that runs an intensive mentoring program for children of incarcerated parents.

My fellow judges and I voted to name Terrence an Echoing Green Fellow that day and 10 years later his organization has served more than 1,000 individuals, including children, guardians, and other family members. It is a source of stability and advocacy in the otherwise chaotic lives of children and families affected by incarceration.

Back in 2002, I was proud to vote for Terrence and honored to be on such an impressive selection panel. I left the two days of interviews feeling deeply inspired, but I also walked away—just as I walked in—with an emotional swirl of embarrassment and inadequacy. In comparison to the potential fellows and the other judges, I felt small. They were poised to make an enormous difference in the world.

And, there it was: the fear. I was afraid of not being smart enough, or experienced enough, or capable of making a real difference.

Immediately, I could hear my mother's voice: *Fear means go*.

So I did just what she told me to, and what Terrence had done. Instead of letting my discomfort dissipate as my day as a judge became a safe memory, I went back to Echoing Green as uncomfortable as it felt. I began to volunteer, spending more and more time working with the organization and eventually working as a consultant to it. One day Cheryl Dorsey, the president, offered me a job to work for the organization. Today, I help run it as senior vice president.

Next time you're afraid of something, instead of turning around, take these three steps.

1. **Acknowledge you're afraid**. Instead of swallowing or hiding your fear, and pretending you don't have it, look at it. For instance, if you are continuously avoiding a particular activity or person, have the courage to ask yourself "why?" Doing this requires honesty, authenticity, and vulnerability.
2. **Determine what kind of fear it is**. Ask yourself: Is this a healthy fear that I need to pay attention to (e.g., Is there a hungry bear on the path ahead of me?) Or is this a fear rooted in my own insecurities and self-doubts? It can be difficult to tell the difference at times, but if you really want to know the answer, pay close attention to what your gut says.
3. **Acknowledge it as a gift**. If it is an insecurity-based fear, it could be one of the most powerful gifts you'll ever receive. These fears are like a compass. They tell you where you need to go—toward that which scares you.

Over the years, I've learned that fear is a great teacher. If we pretend it doesn't exist, we miss out on all of its lessons. We aren't able to improve, become stronger, and build our self-confidence. On the other hand, if we embrace it as a guide, it can help us move through life's challenges and come into our ultimate purpose—making us more fulfilled, and increasing the positive impact we have on the world.

Lara Galinsky is the senior vice president of Echoing Green, a global nonprofit that provides seed funding and technical assistance to emerging social entrepreneurs with ideas for social change. She is the co-author of *Work on Purpose* (2011) and *Be Bold: Create a Career with Impact* (2007).

Select Reader Comments

"I appreciate your question at the end for examining our fears; unless we exercise that form of discernment, what appears to be courage might be just adrenaline."

–Al Watts

"I can't afford to work in the nonprofit field anymore and eventually had to leave it. ...I wish Ms. Galinsky had addressed the disappointment and disillusion that forces so many of us out of this field."

–Anonymous

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/cs/2013/02/fear_means_go.html

Entrepreneurs: You're More Important Than Your Business Plan

by Rich Leimsider and Cheryl Dorsey

"Would you take a look at my business plan?"

Some member of our staff at Echoing Green, an angel investor and grantmaker in social enterprise, hears this request every week. And we are often happy to review these start-up plans—which include the typical elements such as a product description, competitive analysis, estimate of market size, and projected financials. But we are interested in much more than these traditional plans. We use other criteria to find new people and ideas that can create large-scale social change.

In short, the business plan is overrated.

Like the vast majority of start-ups, most new social enterprises are bootstrapping efforts. As Amar Bhide said in "Bootstrap Finance: The Art of Start-ups" (a 20-year-old HBR article that is an uncanny precursor to today's "lean start-up" meme), traditional business planning processes are less relevant to bootstrappers—where resilience trumps planning and energy trumps experience.

Applying a formal spreadsheet-type analysis to an early stage concept can be "disastrous." Instead, we look at eight broad rules for success, half of which are about the entrepreneur herself (not her business plan). These are lessons we've learned from investing $30 million over the last 25 years in 500-plus social start-ups about what make a promising social entrepreneur, but they are equally applicable to any entrepreneur.

Purpose and Passion. *Do they care deeply about this issue or community? Do we understand why?* In 2012 Echoing Green invested in 28-year-old Marquis Taylor as one of our Open Society Black Male Achievement Fellows. Marquis created an organization called Coaching For Change to engage young Black men as entrepreneurs pursuing business opportunities related to basketball, football, and other sports. His passion was evident from his initial application—as the child of a single mother in South Central Los Angeles, basketball was his ticket to college. But he also understood that while a career as a professional athlete was extremely unlikely, sports itself was a multibillion dollar industry with great opportunity as coaches, trainers, even youth camp organizers.

Perspective and Resilience. *Will this person bounce back from the obstacles they will surely face in building this business?* According to official statistics, more than 50 percent of new enterprises fail in the first five years. But in our experience

100 percent of new entrepreneurs face partial failure regularly. Even when a particular challenge doesn't end the business immediately, the ability to bounce back is crucial. Although this is Marquis' first entrepreneurial endeavor, his journey from academically struggling high school student to graduate student at Smith College demonstrated the grit and tenacity to consistently overcome obstacles.

Point of Entry and Leadership. *Can you envision this person entering a field in a transformative way and inspiring others to action?* All leaders must demonstrate authenticity and legitimacy with their customer base and other stakeholders. Marquis is building his organization in Massachusetts, a far cry from the Los Angeles of his youth. But his authentic presence and open attitude have given him access to the insular industry and geography where he now works.

Power Source and Resource Magnetism. *Can this person attract money, people, and other resources to their cause?* At Echoing Green we've learned that more important than charisma is what we call resource magnetism. Whether or not the entrepreneur has a thousand-watt smile (and it just so happens that Marquis does!) it is much more important that she is able to quietly persuade people around her to volunteer their time, talent, and treasure. Somehow Marquis is able to use the most tenuous of connections to arrange a conversation with a busy but influential leader, and then walk out with a financial commitment or five more introductions.

Even the most entrepreneurial leader, of course, needs a great idea. Here are our four rules we use to evaluate the underlying business concept:

Innovation. *Has it been tried this way before?* There are hundreds of organizations that use athletics as a way of engaging low-income teenagers. But too many of these organizations fail young people by neglecting to make the connection between athletic success and professional success. Marquis found a way to do this. Coaching For Change asks young people to build their own businesses around youth clinics, summer sports camps, and coaching. The kids develop discipline and focus, but also practical, marketable skills.

Importance. *Does this organization tackle an issue that matters in the world?* Our Fellows must not only have a clever idea—they need to tackle one of society's major pain points. Marquis reminds us that nearly half of all young Black men who start high school will not graduate. His work matters.

Potential for Big, Bold Impact. *Could this organization directly, or by example, change a big system?* Truly great organizations don't merely grow, they also influence their field. Marquis is ambitious and he hopes Coaching for Change will work with as many young people as possible. But reaching scale through copycat businesses is just fine and if Marquis can demonstrate the viability of his model, we believe it will be adopted more broadly and faster than Coaching For Change can spread it.

A Good Business Plan. *Does the start-up plan (budget, timeline, staffing, etc.) seem thoughtful?* Of course, the business plan remains an important element and we don't neglect to look at it. While Marquis' plan today is well-structured, the truth is that when we met him it was not the strongest part of his overall

presentation. But we invested in him because we believe that helping an early-stage entrepreneur articulate a detailed plan is one of the ways that risk-tolerant investors can be most helpful.

Coaching For Change is by no means an established success. And even the most promising social enterprise takes wrong turns. We are proud to have made early investments in the work of Andrew Youn, who founded One Acre Fund; Wendy Kopp, who founded Teach For America; and Vikram Akula, who founded SKS Microfinance. Each has led their start-up to massive impact for hundreds of thousands of people and influenced the way resources are deployed in their fields. But we're equally proud of Angel Taveras, whose Echoing Green-funded mentoring program never reached scale, but who now pursues social change as the Mayor of Providence, Rhode Island. So while we know that Marquis Taylor meets our eight criteria and has a better than average chance of success, we're still buckled in for what might be a bumpy ride.

The point is that a business planning process can be extremely valuable to an entrepreneur. But if we're going to truly see change through entrepreneurship, we have to focus on the person first and the business plan second.

Rich Leimsider is the director of fellow and alumni programs at Echoing Green, a global nonprofit that provides seed funding and technical assistance to emerging social entrepreneurs with ideas for social change. Cheryl Dorsey is president of the organization.

Select Reader Comments

"The challenge is to be 'planful'—and signal to potential investors and to other stakeholders that the organization and its leadership are serious and competent—without killing the innovative entrepreneurial spark."

–Jonathan Kartt

"I agree with all points, and then I'd add some more... It takes more than one leader. ... But to succeed at the two-year mark, the five-year mark, or the 20-year mark, you need a team. ... Major investment requires more solid plans in order to more deeply engage more diverse stakeholders. ... We talk a lot in my social entrepreneurship class about what elements need to be in a business plan for a pilot, which are entirely different from the needs of a more robust enterprise."

–Cathy Clark

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/cs/2013/02/entrepreneurs_youre_more_impor.html

Build Your Bench Strength Without Breaking the Bank

by Kirk Kramer

Many social enterprises start small and grow fast. This puts a premium on the need to develop, or recruit, talented people who can take on evolving roles and responsibilities. Yet planning for future leadership needs falls between the cracks at most social enterprises. Leaders plead lack of time and money to make development a priority. If you are among them, be aware that neither excuse holds up under close scrutiny. What you really need is a change in mindset.

That change begins with answering three key questions:

- What is your organization's strategy for the near term, and how will you fulfill it?
- What kinds of people do you need to make the strategy a reality?
- How do you develop, or hire, the staff you will need?

You are far from alone if your organization hasn't grappled with these questions. Only 37 percent of respondents to The Bridgespan Group's Leadership Diagnostic Survey said they have "a clear understanding" of the leadership skills, roles, and number of individuals needed over the next three to five years to achieve their strategic goals. Only 39 percent indicated that they had identified potential successors for key positions.

Taking a hard look at strategy and figuring out how it impacts staffing needs—answering the first two questions—is something every organization, large or small, can and should do. But it's critically important if yours is a fast-growing organization. For example, if you are planning to add new sites, you'll probably need to develop a cadre of site directors, and possibly a vice president for field operations. If you plan a strategy shift to greater focus on community engagement, you may need to enhance the skills involved in working effectively with community leaders.

Once you've mapped your organization's near-term talent needs, you're ready to assess whether members of your current staff have the potential to grow into those new roles.

In our survey, about half the respondents say they consider staff potential as part of their evaluation process, but we found that few actually have tools or approaches that help them do this systematically.

Here's where a simple tool called a **Performance-Potential Matrix** comes in handy. The matrix draws on past performance, plotted on the horizontal axis, and judgments about an employee's potential to take on more responsibility, plotted on the vertical axis. The upper-right quadrant—high performance and high potential—is the sweet spot for future leaders. Using the tool, you can plot current and future leaders on one page and determine whether you are likely to have the internal talent to meet your needs.

Sample Performance-Potential Matrix
A simple tool to evaluate your leadership pipeline

POTENTIAL			
High	May be new to role; ensure support is available May be in wrong role; consider reassignment	Continue to develop in current role; consider providing test assignment in more senior role	Consider providing significant new assignments or reassign to a more senior role
Growth	May be in the wrong role or at the wrong level; consider providing test assignment in different role	Continue to develop in current role	Gradually expand current role
Limited	Consider replacing if support has not improved performance	Continue to develop in current role; periodically reassess potential for growth	Retain in current role; periodically reassess potential for growth
	Below expectations	**Meets expectations**	**Exceeds expectations**
	PERFORMANCE		

Source: Kemp & Watson, Omidyar Network

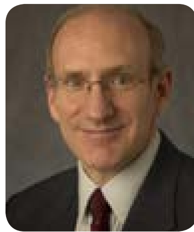
Year Up, a nonprofit that helps urban young adults to develop professional careers and pursue higher education, began using the matrix when it had only one site, a small staff, and annual revenue around $1 million. But it was growing fast. Today, Year Up is a $30-million organization with multiple sites, and it still uses the matrix.

Now that you have identified employee strengths and weaknesses, it's time to craft individual development plans. This is where capital-constrained enterprises feel the pinch of time and money most severely. We heard comments from nonprofit leaders like: "In order to lead, you need time to lead," and "[We have] inadequate financial resources to cover training and development costs."

Leadership development doesn't need to be a separate initiative or an expensive training program added on to the organization's core work. In fact, research by the Center for Creative Leadership has shown that leadership is best learned on the job. The Center's 70-20-10 model, now widely used in the corporate world,

calls for 70 percent on-the-job learning, 20 percent coaching and mentoring, and 10 percent formal training. It's a model gaining appeal among nonprofits of all sizes.

The performance-potential matrix and the 70-20-10 model are simple, straightforward tools to break through the falsely perceived time and money barriers. The potential payoff is huge. By developing a cadre of up-and-coming leaders, you can delegate more, which frees up time you need to focus on strategic priorities. More importantly, by changing your organization's leadership development mindset, you can create the momentum needed to build a talent pipeline that will keep your organization strong as you grow, and grow fast.



Kirk Kramer is a partner with The Bridgespan Group and head of the organization's leadership initiative. He's coauthor of the guide, *Nonprofit Leadership Development: What's Your "Plan A" for Growing Future Leaders?*

Select Reader Comments

"The most straightforward approach to Job-Analysis-based selection uses job-matching assessments to establish the combination of cognitive ability, behavioral traits, and occupational interests that have high predictive validity for job performance and job learning in each particular job; then, the same instruments assess individuals, along the same scales to determine the extent to which candidates 'have what it takes.'"

–Richard Melrose

"You cannot totally avoid judgments when assessing employees. Good companies reduce subjectivity by doing levels of career development review sessions, where people issues are sufficiently debated."

–Ct Innofam87 (in response to R. Melrose)

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/cs/2013/02/build_your_bench_strength_with.html

Want to Change the World? Be Resilient.

by John McKinley

What's the difference between someone with a good idea and a person who can transform their ideas into real impact? To tackle the world's biggest problems, we need to be able to identify and support the people who are capable of creating lasting change. At Acumen Fund, we spend a lot of time trying to find and train aspiring and established leaders from around the world who have the right mix of talent, ideas, and passion.

And what we've found time and again is: **Resilience matters most.**

Resilient leaders have three key characteristics:

1. **Grit**: Short-term focus on tasks at hand, a willingness to slog through broken systems with limited resources, and pragmatic problem-solving skills.
2. **Courage**: Action in the face of fear and embracing the unknown.
3. **Commitment**: Long-term optimism and focus on big-picture goals.

I see these qualities in the Global Fellows who are selected to work with Acumen's investee companies across Africa and South Asia during a 12-month fellowship. These individuals bring exceptional skills and business expertise to their work. But that is not enough. It's their ability to dig deep, roll up their sleeves, and immerse themselves in the unglamorous trenches of seemingly intractable problems while remaining focused on long-term goals that allows them to buck the status quo and deliver meaningful change.

Grit: Natalie Grillon, a former Peace Corps volunteer and recent MBA graduate, embodies grit. She's working in a remote area of war-torn Northern Uganda to develop an organic sesame business as part of Gulu Agricultural Development Company, which provides more than 40,000 smallholder farmers with access to international markets.

Overseeing a staff of 35 and a network of 50 buyers, Natalie wakes up each day determined to grow the business by training more farmers and improving their product quality. Some days she's holed up analyzing financials and others she's loading trucks for shipment. She has to be both an empathetic listener and stern director, often at the cost of not always being "liked"—a trade-off she's accepted. She works 12 to 14 hours, seven days a week and pushes through daily challenges and physical fatigue.

The sesame business is new to this part of Uganda and is already increasing the yields of more than 10,000 farmers, providing them with new income that

can go to school fees or production tools. Farmers, who until recently lived in IDP (internally displaced persons) camps, now live lives of freedom, dignity, and choice. For Natalie, the unrelenting pace of work and many headaches are worth it.

Courage: I recently visited with current fellow Jay Jaboneta, a social entrepreneur from the Philippines who is embracing the unknown in Pakistan. He's working with Pharmagen Healthcare Limited, a water-supply company that provides up to two million liters of clean, affordable water each month to low-income customers through water purification shops in Lahore.

By design, fellows are often pushed out of their comfort zone—required to live and work in regions or sectors that are unfamiliar. This was the case with Jay and, prior to his arrival in Pakistan, he was admittedly anxious about his safety as a foreigner in Lahore, his ability to integrate into a new culture without speaking the language, and stepping into a role that required him to learn how to market water products to BOP (bottom of the pyramid) customers.

Jay has been able to excel in an environment filled with unknowns. He's currently launching a rebranding and marketing campaign to make clean water more accessible to low-income consumers. Now part of the community, he's also learning Urdu one phrase at a time and speaks of dear friends and the doodh pati chai tea he's learned to make with them.

Commitment: Abbas Akhtar, an entrepreneur and software engineer originally from Pakistan, is fulfilling a promise he made to himself long ago: to return to Pakistan, after years in the US, and contribute to the country's long-term development. Abbas now works at Ansaar Management Company (AMC), a low-cost housing and management company that provides affordable housing to more than 30,000 people outside of Lahore.

Equipped with several years work experience at Apple, Google, and an advanced degree from Johns Hopkins, Abbas could choose from any number of developed markets in which to live and work. But he chose his country of origin to fulfill his personal commitment. He readily admits it hasn't been easy to adjust to the frequent power outages, cold days and nights without reliable heat, and long road trips between projects, but he's more committed than ever to apply all that he can to AMC this year and Pakistan for years to come. And his commitment is already contributing to the growth and sustainability of AMC with the potential launch of two new community sites, which could provide 200 new homes to 1,000 BOP-customers.

While still early in their careers, Natalie, Jay, and Abbas exemplify the resilience it takes to drive lasting change on the ground. Above all, their experiences highlight not only what's needed to build new systems, but also, what's needed most to be a social impact leader.

And resilience can be trained. At Acumen, we focus on building not only the fellows' financial and operational skills, but also what we call "moral imagination," which requires balancing opposing values—humility and audacity—to see the world as it is and to imagine the world for what it could be. During their two-month training in New York, fellows spend time in the shoes of low-income customers accessing goods and services, honing their empathy skills; they prototype human-centered design projects with IDEO.org and create business model canvases, building strong listening skills to understand customers' needs. They develop deep self-awareness by challenging their perceptions about leadership and authority by using Cambridge Leadership Associates' Adaptive Leadership framework. Fellows draw on these experiential exercises to strengthen their resolve when facing challenges on the ground.

Too often we confuse management skills with leadership. We need to remain focused on building leaders who have the resilience to face stubborn problems head on for lasting social impact. The more we collectively define what it takes, the better we'll be able to identify and train this next generation.

John McKinley manages the Global Fellows Program at Acumen Fund, a nonprofit venture fund that uses entrepreneurial approaches to solve the problems of global poverty.

Select Reader Comments

"Resilience is the key to forming long-term relationships. Who wants to partner with someone long term if they are caught up and thrown off course by small, insignificant, short-term obstacles?"

–Cameron Clark

"Our research has found there to be three stepping stones and 12 signifiers to resilient practice (leadership) in organisations (set out here: http://ow.ly/i62Kd), which are underpinned by a resilience proposition of the minimum."

–David Griffith

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/cs/2013/02/want_to_change_the_world_be_resilient.html

Lessons from a Failed Social Entrepreneur

by Mike McGlade

During my first year at Harvard Business School, I decided to start a new business. I set up a team, chose a name, secured a URL, and Zoosa was born. My theory was that by leveraging the collective expertise of skilled professionals, we could have a significant impact on the social sector. Zoosa was intended to be a platform where volunteers shared their activities and connected with others, creating a positive feedback loop. The idea was that this would encourage some people to deepen their efforts and others to become new volunteers. Unfortunately, I had never worked for an early-stage business or in the social enterprise space. The result? My business failed.

My story is not unique. Though we don't often talk about failure in the social sector, I've seen numerous entrepreneurs waste countless hours working late into the nights and stubbornly plugging away throughout weekends. Even worse, many forfeit the opportunity to have a full-time job in order to "follow their passion" as a first-time entrepreneur. They watch their social lives melt away at the same rate as their savings.

That's what I did. And it took me two years to put a bullet in Zoosa. I pivoted from a skills-based volunteering website to a platform for corporate social responsibility to a third concept—you'd use Facebook for your personal social network, Linkedin for your professional social network, and Zoosa for your social impact network. Ultimately, I didn't have the industry knowledge or the professional expertise to realize the vision. Eventually, I did two things that every social entrepreneur should do: set aside my ego and went back to step one—getting smart.

Here's my advice for any social entrepreneur who's decided she's got the next big idea:

Put your ego away. How often have you heard entrepreneurs—or want-to-be entrepreneurs—say they want to run their own business? It's almost as if they're starting with the end point and working backwards. They want to run businesses and so they look for an "idea." Sometimes they're clever enough to at least look for real problems to solve—but not always. Instead of focusing on what you want to be or what you want to achieve, think about what it is that someone else truly needs. You and your ego should be beside the point.

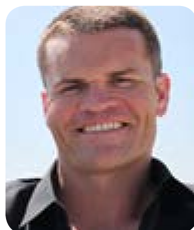
Get smart first. Entrepreneurs-in-the-making are often convinced they have the next big idea for an app or product or service. Do they know anything about building an app? Well, no. But they want to run a business. So they dive in. They've heard from others that entrepreneurship is about persistence in the face of adversity. So they persevere, even when the market is giving them negative feedback. This feedback is especially tough to hear for social entrepreneurs. Failure may be doubly hard when the market is saying no, but the social need still exists. Getting smart requires you spend time in the field you want to run a business in. Volunteer or get a job working in the industry or with the clients you want to serve. Enduring adversity is important but without the right experience and exposure to the field, you're unlikely to succeed.

Failure is not necessarily a bad thing but it has consequences. Consider how many nonprofits offer duplicative services or solutions, or early on learn that their original hypothesis is flawed. In all of those cases, the wasted time, effort, and capital only hurt the stakeholders—the folks the entrepreneur wants to help in the first place. Ego wins and stakeholders lose.

In the three years since I let Zoosa finally die, I've become an expert in building sales, marketing, and business development teams for early stage ventures. I've worked closely with several very successful entrepreneurs and investors, and they've taught me a lot about everything from leadership to fundraising to recruiting. They're helping me get smart.

I plan to go back into social enterprise and maybe even run my own business. But for now I'm content to focus on my passion: helping entrepreneurs build their businesses.

Before you don the social entrepreneur title and dive into building your enterprise, consider if you need more experience to realize your idea. If you do, set down your entrepreneur ego and find a job. You need to get smart to make a difference.



Mike McGlade is a graduate of Harvard Business School. He is now the chief revenue officer for FastPay, a finance platform that provides digital businesses with lines of credit up to several million dollars.

Select Reader Comments

"Was it lack of industry experience, or was the opportunity/business model you were pursuing just not big enough to warrant a sustainable business?"

–Drew Meyers

"Sometimes folks can have answers to all those basic business model questions, but still fail for other, more tactical reasons. … Oftentimes it's helpful to learn about core business functions like recruiting, managing, and pivoting your business from successful entrepreneurs who are already working on their second or third exit."

–Mike McGlade

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/cs/2013/02/lessons_from_a_failed_social_e.html

Using Technology and Data for Social Impact

"Innovative social entrepreneurs and mission-driven businesses are using data, social media, mobile apps, and other technologies to better solve problems around the world and reach more people and communities.

Take Ushahidi, a nonprofit tech company using the internet and mobile applications to crowd source information during natural disasters, epidemics, and political crises. Or Kiva Zip, which relies on M-PESA, a mobile payment system, to allow people to make direct loans to micro-entrepreneurs in Kenya. There's also Khan Academy, the nonprofit website that removes economic barriers to education by putting free video tutorials online. And even less tech-oriented organizations are using open source software simply to lower the costs of running a business—expense reporting, document storage, etc.—and put more money into serving their missions.

But these technologies have also put new burdens on some nonprofits and social entrepreneurs. Organizations find themselves under increasing pressure to collect and produce data that proves their worth to funders. Many want to take advantage of social media and data analytics but can't afford the capabilities needed to do so (not many nonprofits have data scientists on their teams)."

Amy Gallo, Editor, HBR-Bridgespan Insight Center

The last set of blogs focus on how technology and data can fuel social good. Authors explore questions such as:

- How can technology help your mission?
- How can an organization afford technology on a small budget?
- What is the right benchmark for estimating costs?
- What data actually matters?
- How can you tell what really works?

For related blogs, please visit:
http://hbr.org/special-collections/insight/scaling-social-impact/

Can Technology End Poverty?

by Susan Davis

If you believe the hype, technology is going to help us end global poverty. Advances have indeed made a huge difference in the lives of the poor, but there's also a healthy amount of skepticism out there. Berkeley researcher Kentaro Toyama has a blog dedicated to calling out naïve or inappropriate uses of information and communication technologies (ICT). Calling himself the ICT4D jester (using the development jargon for "information and communication technologies for development"), he has no shortage of material. We've all heard stories of computers that sit unused in African classrooms; on a recent post, the jester takes aim at texting cows.

The organization I'm part of, BRAC, is known for going to scale with solutions that are often radically low-tech. We're more likely to scale up birthing kits that cost less than 50 cents apiece than mobile apps that might diagnose disease; more likely to open one-room schools in rented spaces or even boats, where children sit on the floor and learn to think creatively, than insist that every pupil have Internet access.

But I'm hardly a naysayer when it comes to tech. I agree with Peter Diamandis and Steven Kotler, who write in *Abundance: The Future is Better Than You Think* that higher productivity associated with the falling cost of technology is leading us to a world of plenty.

The trick is making sure everyone shares in the coming abundance—or at least has a fair shot at doing so.

To do that, it's vital that technology be suitable and relevant to the lives of its users. That's easier said than done in a world where most product innovations are geared toward the rich.

We can take some lessons from Bangladesh, where BRAC is heading full steam into mobile banking with bKash (bikash means "growth" in Bengali), which is now the largest mobile banking provider in the country. BRAC Bank (the commercial bank owned by BRAC) launched the service as a pilot in five branches in November 2011, asking small enterprise borrowers to make repayments via local agents—who would send a receipt via text message—rather than in person at branch offices.

Even though it was designed to save time for hard-working families, asking borrowers to forego their passbooks in favor of SMS confirmations made them extremely uncomfortable. Shameran Abed, who runs BRAC's microfinance program, explains what happened: "In the first couple months, a lot of our borrowers would send the money through their mobile phones and then physically show up at the branch to check with the accountant that the money had turned up."

You may chuckle at that, but consider things from the point of view of a Bangladeshi smallholder farmer. "In a country where most people think that the only thing that is irrefutable is hard copy documentation with someone's signature affixed to it, we were asking our borrowers to take a major leap of faith," Abed says. "Some of them said to us: 'If ever there is a dispute and we end up in court, no magistrate or judge will want to see an SMS confirmation. They'll want to see proof'—meaning a hard-copy passbook."

BKash is now advertised widely, with 30,000 agents and 2.2 million users. We're confident in the cautious approach we've taken and, more importantly, the clients seem so, too.

But what happens when you ask customers to make a leap of faith and the chasm proves too wide? The consequences can be harmful—often more so for poorer clients than the ones pushing the solution.

BRAC learned this lesson from its foray into community-owned tube wells and irrigation pumps in the 1990s, documented in Ian Smillie's *Freedom From Want*. Since water deep in the ground doesn't belong to anybody, we thought of giving loans to organizations of the landless poor to drill and manage deep tube wells and sell the water to rice farmers, who would in turn benefit from higher yields.

The promise was exciting—the details far less so. The project depended on sufficient demand from farmers, which depended on ensuring they had access to high-yield seeds, fertilizer, and pesticides. It also meant gauging demand for irrigation with a certain level of precision, which meant accurately forecasting the sale price of rice.

In the end, the program had far too many moving parts over which BRAC and the borrowers had insufficient control. At the program's peak, 700 pumps covered 27,000 acres, with the loans constituting 9 percent of BRAC's total microfinance portfolio. By the end of 1993, half of the pumps were operating at a loss and many loans were in arrears. The program was shut down in 1996, and although it refunded 100 percent of the loan repayments, it went down as one of BRAC's biggest failures.

If details about fertilizers and crop yields seem tedious, that's part of my point. We need to learn to hang onto the positive energy of the tech-innovation movement—in the words of Steve Jobs, stay hungry and foolish—even when the complexities don't exactly liven up our cocktail party chatter (or, for that matter, galvanize investors).

In that regard, social entrepreneurs should heed the following:

Invest in local innovation. The poor and marginalized may not have been to school, but that doesn't mean they're uneducated. They're often experts at jugaad, the Hindi word for "frugal innovation." Piecemeal, low-tech solutions often go further—and are more easily scaled-up—than anything dreamed up by R&D-centric outsiders.

Grapple with the human dimensions of the problem. Understand not just the thrill of empowering people in principle but the challenges in practice. To really know what managing a well means for a group of landless villagers, one needs to understand workaday hassles easily overlooked in the excitement of helping people. One must be sensitive to the stress of uncertainty with new innovations, such as replacing cumbersome microfinance passbooks with digital money.

Immerse yourself in the details. If you find yourself frustrated, bored, or driven to distraction by the nitty-gritty (the financial yields of improved rice varietals, say), that's a sign you may be on the right track—and safer from the jester's taunts.

The prospect of billions rising up from poverty with nothing more than gadgets is indeed a fanciful notion—and not a helpful one, either. But the evidence says that when we tether enthusiasm to reality, the reality starts to budge.

Susan Davis is a founder and the current president and CEO of BRAC USA, an affiliate of BRAC, the largest NGO in the world, employing more than 100,000 people and reaching 126 million people in Asia and Africa. She is the co-author of *Social Entrepreneurship: What Everyone Needs to Know*.

Select Reader Comments

"To make technology, especially mobile phones, work for the poor, a 'human network' must be layered on top of the mobile network."

–David Edelstein

"What [I] worry about is the conclusion that the world should expect poverty alleviation to happen by building more technology, when the underlying societal issues—of policy, of social norms of governance, or economics—remain firmly titled against the poorest strata of global society."

–ICT4D Jester

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/cs/2013/03/can_technology_end_poverty.html

Deliver Big Impact on a Small Budget

by Scott Orn

One of the biggest challenges social entrepreneurs face is securing funding to set up their organizations and realize their ideas. Especially in the early days, it can be nearly impossible to pay the rent, give employees a decent salary, and hire the external help you need. But does helping people really need to be so expensive? Or can social entrepreneurs use the same techniques that for profit start-up entrepreneurs use and still make a big impact on a smaller budget?

In 2008, with just a few thousand dollars, Ben Munoz and I started Ben's Friends, a network of online support sites for people with rare diseases. Five years later, the organization has become one of the largest rare disease support groups in the world, and we've spent very little to make it happen.

Back in 2008, Ben and I knew three things. One, people with rare diseases desperately needed a place to go for support (Ben himself was recovering from a rare brain aneurysm—AVM—that nearly killed him). Two, we were swimming in business school debt and could only muster a few thousand dollars to start the organization. And three, rare disease sites don't monetize, so we couldn't justify venture capital investment to pay the bills.

So there we were, both of us practically broke but with inboxes full of emails from patients telling us how our support sites had changed their lives. We were determined to make Ben's Friends work, but we were going to have to do it a different way. We didn't want to burden the organization with fixed costs. Almost everything had to be free, and the few things we paid for had to be scalable so that the unit costs would eventually approach zero. We set out to become one of the first capital efficient social impact organizations.

Here are the three principles that guided our efforts:

People make the world go round...and technology makes it go faster.

After our first few support groups were up and running, something happened. Members (aka patients) started volunteering to run them. It made sense. We started the support groups because it made us feel good to help others. Members started volunteering for the very same reason: They told us that helping others find support, information, and friendship changed their relationship with their disease. Despite the pain and discomfort, they were able to see a small silver lining in their condition. Today, there are 130-plus moderators (all volunteers!) who are the heart and soul of Ben's Friends.

We built a Moderator Only Network where all moderators could communicate and share best practices. This became a hotbed of innovation as moderators built on each other's new ideas until a new service or procedure could be implemented. They were free to implement new ideas without our permission, so it could happen immediately across the entire network. This removed the biggest bottleneck to innovation—us.

"Software development" and "hardware" are bad words.

Before business school, Ben was a software developer and I worked at a venture capital fund, so we were familiar with the miracle of cloud computing. Even though "the cloud" had not gone mainstream, we embraced it, making two key decisions. First, we would use a white label social networking service called Ning to power our sites. Second, we standardized all management coordination on a low-cost but elegantly simple project management software called Basecamp.

Ning allowed us to start a new support network in an hour. We paid a nominal subscription fee every month instead of sinking tens of thousands of dollars into developers and servers. As our support networks grew, Ning grew with them. Basecamp, too, was hosted software with a very small monthly subscription fee. Like Ning, it was available globally, which was perfect for our growing network of volunteers. People in Europe, Asia, and Africa were finding Ben's Friends and joining the cause. Suddenly we had a small army of global do-gooders, and Basecamp helped us manage the whole thing.

The only failed experiments are the ones we don't do.

From the beginning, Ben and I promised each other that we would experiment along the way. After all, the first support network, AVMSurvivors.org, was just a desperate experiment by Ben to find other people with an AVM. In 2010, Ben's Friends got too big and costly to fund ourselves so we turned to crowdfunding. It was a relatively new phenomenon at that time and we had no idea whether it would work. But a start-up organization called IndieGoGo loved our cause and gave us the special attention we needed to make our online fundraisers successful. Today, IndieGoGo gets a lot of credit for revolutionizing the film industry and consumer electronics, but they also made our organization viable.

Another experiment we tried early on was to tell our story through YouTube videos. We put together a simple video that told the Ben's Friends story. We also asked members to explain what Ben's Friends meant to them. Moderators like John "JC" Colyer, Elodie, and Julie led the way. Even younger members joined in.

Ben's Friends is part of a new breed of capital efficient social impact organizations that deliver a big impact on a small budget. Whether you're a big organization or a start-up, shedding costly infrastructure and overhead can stretch your funding and help you serve your constituents better. Simple changes like embracing cloud computing, relying on crowdsourcing, and using crowdfunding to augment or

even replace fundraising can pay huge dividends. The world has changed, and it's never been easier to have an impact without expensive infrastructure.

Scott Orn is a partner at Lighthouse Capital Partners, a venture capital firm. In his spare time, Scott co-founded and runs Ben's Friends, an online patient support network for people with rare diseases.

Select Reader Comments

"I was diagnosed with Chiari Malformation last year and information was scarce until I found Ben's Friends! … With the resources provided by the support group I was able to find a great neurosurgeon and get appropriate treatment."

–Angela

"[T]here is a lot to be learned there for entrepreneurs bootstrapping both nonprofit and for-profit ventures—find people who care about the effort/product/community and figure out a way to get each role/functional group to support one another."

–Chris G

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/cs/2013/03/deliver_big_impact_on_a_small.html

Want to Help People? Just Give Them Money

by Jacquelline Fuller

"We give money directly to the poor—no strings attached."

I was skeptical of the idea being pitched to my team. Two decades in philanthropy, including eight years at The Gates Foundation and six at Google Giving, had shown me the power of development done well. Living in India, I saw firsthand how an HIV prevention program could literally save millions of lives. Based on this experience, I believed—like many others—that doing for the poor is a better investment than giving money to them directly. Data from a start-up nonprofit called GiveDirectly changed my opinion.

Last fall, my team huddled in a room to review our pipeline for the Global Impact Awards, Google's program to support entrepreneurial nonprofits using technology to change the world. Like other venture philanthropists in Silicon Valley, we hunt for projects that are tech-enabled, data-driven, and have an element of informed risk.

Prior to that meeting, we had already identified a few awardees. We had decided to support World Wildlife Fund's pilot use of unmanned aerial vehicles to stop wildlife poaching and Equal Opportunity Schools' use of data analytics to identify and move high-performing yet underrepresented students into advanced math and science classes.

But our team was divided on GiveDirectly. We were looking for scalable, disruptive ideas but weren't convinced this particular leap would be successful. We invited founders Paul Niehaus and Michael Faye to bring their best data and pitch us live.

Paul and Michael started GiveDirectly in 2008 while pursuing advanced degrees in economics at Harvard. Their graduate research had uncovered multiple reports demonstrating the effectiveness of cash transfers as a model to alleviate poverty. They wanted to donate but couldn't find a single nonprofit using this approach, so they created their own.

Today, GiveDirectly remains the first and only nonprofit devoted to unconditional cash transfers directly to the impoverished. Their lean model uses mobile-based banking technology from M-PESA to transfer 90 percent of the money raised into the hands of the poor. Just 10 percent is spent on transfer fees and the cost of locating and enrolling recipients.

Since launching in Kenya, GiveDirectly continues to evaluate its approach with randomized control trials. It uses a lottery system similar to medical trials and compares developmental outcomes of households who have received funding against those who haven't. Its rigorous data shows that no-strings-attached cash transfers improve health and downstream financial gains. It also uses this data to refine its model and make it available on the GiveDirectly website.

Recipients, who are often living on less than 65 cents a day, invest in everything from food for starving children to long-term assets, including land, livestock, and housing. The data fights conventional wisdom: Money spent on alcohol and cigarettes either decreases, stays constant or increases in the same proportion as total other expenses (approximately 2 to 3 percent).

Paul and Michael shared all of this data with us last fall and left us convinced. In December 2012, we provided GiveDirectly with $2.4 million to scale to multiple countries and test the model's effectiveness across geographies.

Investments in common goods such as roads, schools, and wells are critical in helping people out of poverty. But GiveDirectly has a new concept: What if cash transfers are used as a standard benchmark against which to measure all development aid? What if every nonprofit that focused on poverty alleviation had to prove it could do more for the poor with a dollar than the poor could do for themselves?

In this world, cash transfers could play a role like index funds play for private investors: They could be a sizeable share of your philanthropic portfolio and a benchmark used to evaluate more expensive, "actively managed" investments. We'd learn more about which programs need additional funding and which are falling below the "direct-to-the-poor" mark.

GiveDirectly is one of many nonprofits using data and technology to set new standards. Charity: water (another Global Impact Awardee) is working to install remote sensors on water wells that monitor whether they are still pumping days, months, or even years after being built. Data from sensors will help improve maintenance efforts on the ground and provide a transparent report to partners, peer organizations, and donors. This information will give us a better understanding of the most effective ways to make clean water continuously available to the 800 million who currently lack access.

As funders, we need to support nonprofits like these that use data-driven approaches, especially randomized control trials where possible, and we must challenge conventional wisdom on what works.

Jacquelline Fuller leads Giving at Google which provides more than $50 million yearly to support tech innovators making transformational impact in areas such as education, development, disaster relief, and renewable energy.

Select Reader Comments

"Poverty in the US is a lot more complicated. In the region where I work (average family income $45/month), I can provide a family with a $200 loan and potentially change their lifetime socioeconomic trajectory. If you gave a median family in the US the equivalent ($18,000) you likely would not get the same results."

–Alitasso

"Another organization that a friend of mine runs called newincentives.org takes it a notch further by making these donations conditional on specific results being achieved. I see this as an evolution to giving directly because it not only negates the opportunity costs of the family having to act on immediate desperate needs but adds a layer of long-term behavior change that's reinforced over a period of time."

–Prat

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/cs/2013/03/want_to_help_people_just_give.html

A Data Scientist's Real Job: Storytelling

by Jeff Bladt and Bob Filbin

Every morning at DoSomething.org, our computers greet us with a report containing over 350 million data points tracking our organization's performance. Our challenge as data scientists is to translate this haystack of information into guidance for staff so they can make smart decisions—whether it's choosing the right headline for today's email blast (should we ask our members to "take action now" or "learn more"?) or determining the purpose of our summer volunteer campaign (food donation drive or recycling campaign?).

In short, we're tasked with transforming data into directives. Good analysis parses numerical outputs into an understanding of the organization. We "humanize" the data by turning raw numbers into a story about our performance.

When many people hear "Big Data," they think "Big Brother" (Type "big data is..." into Google and one of the top recommendations is, "...watching you."). Central to this anxiety is a feeling that what it means to be human can't be tracked or quantified by computers. This fear is well-founded. As the cost of collecting and storing data continues to decrease, the volume of raw data an organization has available can be overwhelming. Of all the data in existence, 90 percent was created in the last two years. Inundated organizations can lose sight of the difference between what's statistically significant and what's important for decision making.

Using Big Data successfully requires human translation and context whether it's for your staff or the people your organization is trying to reach. Without a human frame, like photos or words that make emotion salient, data will only confuse, and certainly won't lead to smart organizational behavior.

Data gives you the *what*, but humans know the *why*.

The best business decisions come from intuitions and insights informed by data. Using data in this way allows your organization to build institutional knowledge and creativity on top of a solid foundation of data-driven insights.

For DoSomething.org, mapping our communications data gives us an amazing window to view our audience. We have over 1.5 million users, and for each one we have hundreds of data points to what and how they respond to new volunteer opportunities via email and texting. Here's how we go from 350 million data points to organizational change, and how organizations grappling with similarly huge amounts of information can do the same:

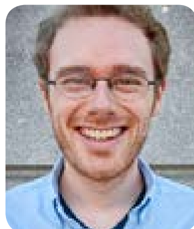
1. **Look only for data that affect your organization's key metrics**. At DoSomething.org, our goal is increasing teens' engagement in volunteering. So when we did a deep dive on our data last fall to determine how to increase that metric we started with simple questions: Who currently volunteers the most, and how can we find more people like them? We were able to ignore larger volumes of data that didn't answer our questions and hone in on what really mattered.

2. **Present data so that everyone can grasp the insights**. Hint: never show a regression analysis or a plot from R. In fact, our final presentation had very few numbers. We focused on telling a clear story with simple slides and visuals. While we used regression analysis to find a list of significant variables, we visualized data to find trends: even data analysts are much better at discovering geographic (and underlying demographic) trends on maps than in regression tables, especially when there are multiple underlying patterns with ambiguous relationships.

   By presenting the data visually, the entire staff was able to quickly grasp and contribute to the conversation. Everyone was able to see areas of high and low engagement. That led to a big insight: Someone outside the analytics team noticed that members in Texas border towns were much more engaged than members in Northwest coastal cities.

3. **Return to the data with new questions**. Once we learned who our most engaged members were, we returned to the data to see what campaigns those members liked best; in other words, what led those members to get involved. The answer turned out to be campaigns around improving community health, an issue that disproportionately impacts minorities. This information allowed us to better tailor our volunteer campaigns going forward to engage new members, reach out to the right partnerships for those campaigns, and also highlight another potential area for growth—white, male college students in the Northwest.

Data scientists want to believe that data has all the answers. But the most important part of our job is qualitative: asking questions, creating directives from our data, and telling its story.



Jeff Bladt is director of Data Products & Analytics at DoSomething.org, America's largest organization for teens and social change. Bob Filbin is chief data scientist at Crisis Text Line, the first large-scale 24/7 national crisis line for teens on the medium they use most: texting. The service will launch August 1st.

Select Reader Comments

"I think the article somewhat confuses storytelling with providing clear presentations of the essence of the data and information. Not all effective and rational explanations or scenarios constitute a story."

–Nahum Gershon

"My rule of thumb when coaching science presenters is quite simple: Become audience-centric, not presenter-centric. A presentation is not a published peer-review paper, although that may have formed its basis. It needs to stand on its own. The corollary is that more you estimate there is a knowledge differential between yourself and your audience, the more using storytelling will close that gap and keep your audience engaged."

–Lesposen

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/cs/2013/03/a_data_scientists_real_job_sto.html

Let's Be Realistic About Measuring Impact

by Alnoor Ebrahim

"Measure impact" has become a mantra for creating social change. Claims about making a difference are no longer sufficient; evidence of how much difference you're making is now required. We should applaud this trend, because results are sometimes ambiguous and claims often go unsubstantiated. But does it really make sense for all mission-driven organizations to measure their long-term impact on society?

Rather than engage in a debate about what one should measure, let's take a look at what thoughtful organizations actually are measuring. I studied three organizations at the vanguard of performance measurement: Acumen Fund, Robin Hood Foundation, and Millennium Challenge Corporation (MCC). All three provide capital to organizations on the front lines of social change, either as investors or grant makers.

What do these organizations seek to measure? It turns out that they assess different things: Acumen measures immediate outputs, such as mosquito nets made and distributed, Robin Hood focuses on long-term outcomes in the lives of individuals such as gains in future income, and MCC aims for both individual outcomes and broader impacts on society such as reduction in poverty rates.

Let's start with Acumen Fund, a venture philanthropy firm with a portfolio of over 75 investments in social enterprises in Africa and Asia. Its primary social metric is the number of lives reached in base-of-pyramid markets. This means that for a company that manufactures anti-malarial bed nets, Acumen will count the number of nets manufactured and distributed. For an enterprise that builds toilet and shower facilities in urban slums and business districts, it will tally up the number of times the toilets and showers are used.

But why stop at these output measures? Why not go all the way and measure outcomes like reduction in malaria or improvements in health and environment? Brian Trelstad, Acumen's former CIO, is blunt about why not: It's complicated, expensive, and often impractical for early-stage enterprises. Instead, Acumen's strategy is to review the literature and consult experts to establish a link between a specific output and impact (for instance, how bed net distribution leads to malaria reduction) and to then count the outputs.

Robin Hood, on the other hand, is a grant-making foundation created by hedge fund managers with a penchant for hard numbers. With a mission to fight poverty in New York City, the foundation puts each of its 200-plus grants through a cost-benefit analysis every year. One of its primary metrics is the expected increase

in lifetime earnings of its clients. For grants focused on education, for example, its staff first identifies a set of results that can be immediately observed—such as school attendance, standardized test scores, and high school graduation. Then, they search for studies that link those measures to expected lifetime earnings or quality of life. For instance, some longitudinal research suggests that a 10-percent increase in test scores is correlated with a 4-percent increase in high school graduation rates, which in turn is associated with $6,500 in increased income per year. Robin Hood uses these figures with caution, employing them as placeholders for estimating benefits until better research comes along.

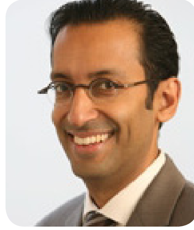
The MCC's approach is even more complex as it operates on a 20-year time horizon. The US government agency makes grants to emerging market countries to reduce poverty through economic growth. Its extensive due diligence process—often two years long—first analyzes the barriers to economic growth in the country and then identifies the sectors where the grants would most likely reduce poverty. For example, the MCC awarded $547 million to the Government of Ghana to build roads and ferries to get farm goods to market. To start, it estimated the number of farmers likely to benefit, and what those benefits would be: reduced cost and time of getting goods to market, access to new markets, and opportunities for wage employment. These data were used to anticipate an economic rate of return, with the primary outcome metric being increases in farmer incomes, along with impact metrics such as a reduction in regional poverty rates.

Once a contract is signed, a monitoring and evaluation process kicks in to allow for midcourse correction. Benefits are expected to begin accruing only after five years, once the infrastructure is built and operating. The MCC plans to eventually conduct long-term evaluations, but has not yet done so.

Notice that none of these three organizations typically measures impact directly. They hypothesize what the outcomes and impacts might be but only in some instances are they able to follow through by commissioning their own research or multiyear evaluations. And these are sophisticated funders and investors who are much better positioned to measure long-term results than the frontline organizations that contend with funding shortages and operational challenges every day.

So what does their experience mean for other organizations trying to prove their mettle through measurement? Surely measuring impact matters, but we need to be realistic about the constraints. It requires a level of research expertise, commitment to longitudinal study, and allocation of resources that are typically beyond the capabilities of implementing organizations. It is crucial to identify when it makes sense to measure impacts and when it might be best to stick with outputs—especially when an organization's control over results is limited and causality remains poorly understood.

Overcoming these obstacles will require investors and frontline organizations to make a long-term commitment to research and collaboration. Simply repeating the mantra of measuring impact won't get us there.



Alnoor Ebrahim is an associate professor in the Social Enterprise Initiative at the Harvard Business School.

Select Reader Comments

"There is a big gap between the desire for evidence and actual grantmaker investment in grantee capacity to deliver evidence."

–Heather Peeler

"It is important for implementing organizations with limited resources to develop internal learning systems that are not beyond their capacity, which can generate usable real-time data. The ideal would be bringing both together—rigorous evaluation and iterative learning."

–Alnoor Ebrahim (response to comment)

To read more comments and to join the conversation, please visit:
http://blogs.hbr.org/hbsfaculty/2013/03/lets-be-realistic-about-measur.html

PHOTO CREDITS: Cover: BRAC | Page 5: (left) Living Goods, (right) Embrace | Page 23: (left) Acumen Fund, (right) John Rae Photography | Page 40: (left) Google Giving, (right) Keri Goff, DoSomething.org

BOSTON
535 Boylston St., 10th Fl.
Boston, MA 02116
Tel: 617 572-2833

NEW YORK
112 West 34th St., Ste. 1510
New York, NY 10120
Tel: 646 562-8900

SAN FRANCISCO
465 California St., 11th Fl.
San Francisco, CA 94104
Tel: 415 627-1100

This work is licensed under the Creative Commons BY-NC-ND License.
To view a copy of this license, visit www.bridgespan.org/terms-of-use.aspx

www.bridgespan.org